

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name EVELINE TOWNSHIP	County CHARLEVOIX
Audit Date 6/30/05	Opinion Date 3/4/06	Date Accountant Report Submitted to State: 3/31/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

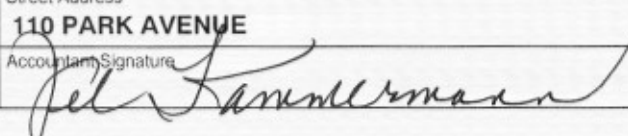
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) MASON & KAMMERMAN, P.C.			
Street Address 110 PARK AVENUE	City CHARLEVOIX	State MI	ZIP 49720
Accountant Signature 		Date	

EVELINE TOWNSHIP
CHARLEVOIX COUNTY, MICHIGAN

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
for the year ended June 30, 2005

Eveline Township

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MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

March 4, 2006

Members of the Township Board
Eveline Township
East Jordan, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Eveline Township of, East Jordan, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Eveline Township as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards

Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of July 1, 2004, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mason & Kammermann, P.C.

Mason & Kammermann, P.C.
Certified Public Accountants

Eveline Township

Management Discussion & Analysis March 4, 2006

This section of Eveline Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended June 30, 2005.

Overview of the Financial Statements

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are in a new format implemented over this fiscal year to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). Eveline Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expense are accounted for in the Statement of Activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of Eveline Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Eveline Township is improving or deteriorating.

The Statement of Activities presents changes in the government's net assets during the most recent fiscal year, on the cash basis of accounting.

Fund Financial Statements

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. Eveline Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. Eveline Township uses two categories of funds, which are governmental and fiduciary funds.

Eveline Township

Management Discussion & Analysis March 4, 2006

Governmental Funds

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Eveline Township maintains two major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Road Fund.

The Township adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with these budgets.

Fiduciary Funds

Fiduciary funds are used to account for resources collected and held for the benefit of the Township and other governmental units outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs.

Eveline Township

Management Discussion & Analysis March 4, 2006

Financial Analysis of the Township as a Whole

The table below shows, in a condensed format, the Township's net assets as of June 30, 2005:

Eveline Township Statement of Net Assets	
	Governmental Activities
<u>Assets</u>	
Current Assets	\$ 609,670
Noncurrent Assets	
Capital Assets, net	<u>38,076</u>
 Total Assets	 647,746
<u>Liabilities and Net Assets</u>	
Current Liabilities	<u>17,790</u>
Net Assets	
Invested in Capital Assets, net	38,076
Restricted	7,690
Unrestricted	<u>584,190</u>
 Total Net Assets	 <u>\$ 629,956</u>

The total governmental net assets are \$629,956 for the Township. The township has \$584,190 of unrestricted governmental net assets, which could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Eveline Township

Management Discussion & Analysis March 4, 2006

The following table shows how activities affected changes in net assets during the fiscal year.

Changes in Net Assets For Year Ended June 30, 2005

	Governmental Activities
Revenues:	
Program Revenues	
Charges for Services	\$ 9,983
General Revenues:	
Property Taxes	364,448
State Shared revenues	103,170
Administrative Fees	61,853
Interest	20,093
Other	13,666
Total Revenues	573,213
Expenses:	
Legislative	60,730
General Government	105,340
Community & Economic Development	52,724
Public Works	287,779
Public Safety	85,954
Health & Welfare	17,000
Total Expenses	609,527
Change in net assets	\$ (36,314)

Revenue sources and changes

Total revenue from governmental activities totaled \$573,095. Revenue from governmental activities consists primarily of, 63.58% from property taxes, 18.00% from state revenue sharing, 10.79% from administrative fees and 7.63% from other sources. The millage rate for general operations was .8933 mills and 1.0000 for road improvements.

Eveline Township

Management Discussion & Analysis March 4, 2006

Expenses

Using a full accrual basis of accounting, the Township spent \$609,527 on governmental activities. This equates to 9.96% on legislative activities, 17.28% on general government, 8.65% on community and economic development, 47.21% on public works, 14.10% on public safety and 2.80% on health and welfare.

Financial Analysis of the Township's Funds

At June 30, 2005, the Township's governmental funds reported total cash and certificates of deposit, in the amount of \$474,392, which is approximately \$33,469 less than last year.

Capital Assets

At fiscal year ended June 30, 2005, the Township has \$38,076 in capital assets, net of accumulated depreciation. During the year, the Township invested \$1,530 in equipment.

Capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land, buildings, cemetery improvements and equipment. The Township uses straight-line depreciation for all depreciable assets.

Long-Term Debt

The Township had no outstanding long-term debt for governmental activities as of June 30, 2005.

Requests for Information

This financial report is designed to provide a general overview of Eveline Township's finances for all of those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact Eveline Township, 08525 Ferry Road, East Jordan, MI 49727.

Eveline Township

Statement of Net Assets June 30, 2005

	Governmental Activities
<u>Assets</u>	
Current Assets	
Cash	\$ 181,618
Cash - Restricted	7,690
Certificates of Deposit	285,084
Due From Other Funds	119,442
Due From Other Governmental Units	<u>15,836</u>
Total Current Assets	609,670
Noncurrent Assets	
Capital Assets	125,604
Less: Accumulated Depreciation	<u>(87,528)</u>
Total Noncurrent Assets	<u>38,076</u>
Total Assets	<u>647,746</u>
<u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts Payable	9,924
Due to Other Funds	<u>7,866</u>
Total Liabilities	17,790
Net Assets	
Invested in Capital Assets	38,076
Restricted	7,690
Unrestricted	<u>584,190</u>
Total Net Assets	<u>\$ 629,956</u>

The accompanying notes are a part of the financial statements.

Eveline Township

Statement of Activities For Year Ended June 30, 2005

		Program Revenues			Net Revenue (Expense) and Change in Net Assets
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
	Expenses				
Governmental Activities					
Legislative	\$ 60,730	\$ -	\$ -	\$ -	\$ (60,730)
General Government	105,340	61,853	-	-	(43,487)
Community & Economic Development	52,724	9,983	-	-	(42,741)
Public Works	287,779	-	-	-	(287,779)
Public Safety	85,954	-	-	-	(85,954)
Health & Welfare	17,000	-	-	-	(17,000)
Total Government Activities	\$ 609,527	\$ 71,836	\$ -	\$ -	(537,691)
General Revenues:					
Taxes:					
Property Taxes					364,448
State Shared Revenues					103,170
Interest					20,093
Other					13,666
Total General Revenues					501,377
Change in Net Assets					(36,314)
Net Assets - July 1, 2004					666,270
Net Assets - June 30, 2005					\$ 629,956

The accompanying notes are a part of the financial statements.

Eveline Township

Governmental Funds Balance Sheet June 30, 2005

<u>Assets</u>	<u>General</u>	<u>Road</u>	<u>Total</u>
Cash	\$ 167,200	\$ 14,418	\$ 181,618
Cash - Restricted	7,690	-	7,690
Certificates of Deposit	82,711	202,373	285,084
Due From Other Funds	119,442	-	119,442
Due From Other Governmental Units	15,836	-	15,836
Total Assets	<u>\$ 392,879</u>	<u>\$ 216,791</u>	<u>\$ 609,670</u>
 <u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts Payable	\$ 9,924	\$ -	\$ 9,924
Due to Other Funds	-	7,866	7,866
Total Liabilities	<u>9,924</u>	<u>7,866</u>	<u>17,790</u>
Fund Equity:			
Fund Balance - Restricted	7,690	-	7,690
Fund Balance - Undesignated	<u>375,265</u>	<u>208,925</u>	<u>584,190</u>
Total Fund Equity	<u>382,955</u>	<u>208,925</u>	<u>591,880</u>
Total Liabilities & Fund Equity	<u>\$ 392,879</u>	<u>\$ 216,791</u>	<u>\$ 609,670</u>

The accompanying notes are a part of the financial statements.

Eveline Township

Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2005

Total Fund Balances - Governmental Funds	\$	591,880
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds balance sheet.

Cost of capital assets	125,604
Accumulated depreciation	<u>(87,528)</u>

Total Net Assets - Governmental Activities	\$	<u><u>629,956</u></u>
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The accompanying notes are a part of the financial statements.

Eveline Township

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For Year Ended June 30, 2005

	General	Road	Total
Revenues:			
Taxes	\$ 185,293	\$ 179,155	\$ 364,448
Administrative Fees	61,853	-	61,853
State Shared Revenue	103,170	-	103,170
Fees & Permits	9,983	-	9,983
Interest	16,942	3,151	20,093
Other	13,666	-	13,666
	<hr/>	<hr/>	<hr/>
Total Revenues	390,907	182,306	573,213
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
Legislative	60,730	-	60,730
General Government	99,554	-	99,554
Community & Economic Development	52,724	-	52,724
Public Works	137,771	150,008	287,779
Public Safety	85,954	-	85,954
Health & Welfare	17,000	-	17,000
Capital Outlay	1,530	-	1,530
	<hr/>	<hr/>	<hr/>
Total Expenditures	455,263	150,008	605,271
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	(64,356)	32,298	(32,058)
	<hr/>	<hr/>	<hr/>
Fund Balances - July 1, 2004	447,311	176,627	623,938
	<hr/>	<hr/>	<hr/>
Fund Balances - June 30, 2005	<u>\$ 382,955</u>	<u>\$ 208,925</u>	<u>\$ 591,880</u>

The accompanying notes are a part of the financial statements.

Eveline Township

Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ (32,058)
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets
is allocated over their estimated useful lives

1,530

Depreciation expense is recorded in the statement of activities but not
the governmental fund financial statements

(5,786)

Changes in Net Assets - Governmental Activities

\$ (36,314)

The accompanying notes are a part of the financial statements.

Eveline Township

Fiduciary Fund Statement of Net Assets For Year Ended June 30, 2005

Assets

Cash	\$ 121,438
Due from Other Governmental Units	<u>16,656</u>
Total Assets	<u><u>\$ 138,094</u></u>

Liabilities

Refunds Payable	\$ 26,518
Due to Other Funds	<u>111,576</u>
Total Liabilities	<u><u>\$ 138,094</u></u>

The accompanying notes are a part of the financial statements.

Eveline Township

Fiduciary Fund Statement of Changes in Fiduciary Net Assets For Year Ended June 30, 2005

Additions:

Property Tax Collections for Other Governments	\$ 5,577,169
Property Tax Collections for Township	<u>420,164</u>
Total Additions	<u>5,997,333</u>

Deductions:

Property Tax Distributions to Other Governments	5,601,967
Property Tax Distributions to Township	<u>395,366</u>
Total Distributions	<u>5,997,333</u>

Change in Net Assets	-
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Fiduciary Net Assets - July 1, 2004	<u>-</u>
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Fiduciary Net Assets - June 30, 2005	<u><u>\$ -</u></u>
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The accompanying notes are a part of the financial statements.

Eveline Township

Notes To Financial Statements For Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Eveline Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Eveline Township.

A. Reporting Entity

The Township operates under a Board-Supervisor form of government and provides the following services:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Eveline Township

Notes To Financial Statements For Year Ended June 30, 2005

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Fund – The Road Fund was established to account for millage voted by the taxpayers for 2004 that has been restricted for township road improvements.

Agency Fund – The Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Eveline Township

Notes To Financial Statements For Year Ended June 30, 2005

D. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Cash is comprised of the amount of funds in bank accounts.

Investments consisting of certificates of deposit are stated at cost or amortized cost, which approximates market.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives.

Buildings	40 years
Equipment	5 years

Long-term Obligations

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that appropriates the effect of interest method.

Eveline Township

Notes To Financial Statements For Year Ended June 30, 2005

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

As of June 30, 2005, the Township has no outstanding long-term debt.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The Township used estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Accounting Change

As of July 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$125,604, which was the amount previously reported in the General

Eveline Township

Notes To Financial Statements For Year Ended June 30, 2005

Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the Township's applicable capital assets.

- The fund financial statements focus on major funds rather than fund types.

The implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with implementation of Statement No. 34 based on GASB No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and various other disclosures.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 15, the Township Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted.
4. The Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts are as originally adopted, or as amended by Township Board. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year end.

Eveline Township

Notes To Financial Statements For Year Ended June 30, 2005

Excess of Expenditures over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Eveline Township's budgeted and actual expenditures for the funds budgeted have been shown on a function basis.

During the year, the Township did not incur expenditures in the General and Road Fund in excess of the amounts appropriated.

Accumulated Fund Deficits

The Eveline Township had no funds with an accumulated fund balance/retained earnings deficit at June 30, 2005.

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan

Deposits – At June 30, 2005, the carrying amount of the Township's deposits was \$189,308.

Investments – The Township's investments at June 30, 2005 consisted of certificates of deposit totaling \$285,084.

The nature of the investment funds does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

Federal Depository Insurance – Of the above balances, \$290,401 was covered by federal depository insurance and U.S. Government guarantees. The remaining \$183,991 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public

Eveline Township

Notes To Financial Statements For Year Ended June 30, 2005

funds. The Township may experience significant fluctuations in deposit balances during the year.

NOTE 4 – PROPERTY TAXES

Property taxes are levied on July first and December first and are payable on September fourteenth and February fourteenth. Property tax revenues are recognized when levied.

The Township levied .8933 mills for general operations and 1.0000 for roads on state taxable valuation of \$189,051,888 on the 2004 tax roll.

The Township also bills and collects taxes for other governmental units, which are accounted for in an Agency Fund.

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Balance of July 1, 2004</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance of June 30, 2005</u>
Capital assets not being depreciated				
Land	\$ 500	\$ -	\$ -	\$ 500
Capital assets being depreciated				
Buildings	50,409	-	-	50,409
Equipment	<u>73,165</u>	<u>1,530</u>	<u>-</u>	<u>74,695</u>
Total Capital Assets	124,074	1,530	-	125,604
Less: Accumulated Depreciation:	<u>(81,742)</u>	<u>(5,786)</u>	<u>-</u>	<u>(87,528)</u>
Total Net Capital Assets	<u>\$ 42,332</u>	<u>\$ (4,256)</u>	<u>\$ -</u>	<u>\$ 38,076</u>

Depreciation expense was charged to the Township's functions as follows:

General Government	<u>\$ 5,786</u>
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Eveline Township

Notes To Financial Statements For Year Ended June 30, 2005

NOTE 6 – RECEIVABLES AND PAYABLES

Interfund receivables and payable are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Road Fund	\$ -	\$ 7,866
General Fund	119,442	-
Tax Fund	-	111,576
Total	<u>\$ 119,442</u>	<u>\$ 119,442</u>

NOTE 7 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters.

The Township participates in a general insurance and worker's compensation program used by various municipalities in the state, the Michigan Township Participating Plan. The plan is supported by member premiums and reinsures through commercial companies. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past 3 years.

NOTE 8 – CASH RESTRICTED FOR SEWER SYSTEM

In accordance with Act 451, the Township has entered into an agreement to assume responsibility for the operation and maintenance of a privately owned public sewer system, if the owners' association should fail to do so. Cash totaling \$7,690 has been restricted for this purpose.

Eveline Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property Taxes	\$ 173,590	\$ 173,590	\$ 185,293	\$ 11,703
Administrative Fees	48,000	48,000	61,853	13,853
State Revenues	100,000	100,000	103,170	3,170
Fees and Permits	7,000	7,000	9,983	2,983
Interest	8,000	8,000	16,942	8,942
Other	89,500	89,500	13,666	(75,834)
Total Revenues	426,090	426,090	390,907	(35,183)
Expenditures:				
Legislative				
Township Board				
Salaries	7,500	7,500	16,628	(9,128)
Payroll Taxes	22,000	22,000	8,155	13,845
Postage	2,000	2,000	518	1,482
Dues & Subscriptions	2,500	2,500	3,095	(595)
Printing	2,000	2,000	1,774	226
Professional Services	25,000	25,000	23,200	1,800
Education and Training	1,000	1,000	245	755
Insurance & Bonds	6,000	6,000	5,386	614
Other Expenses	16,700	16,700	1,729	14,971
Total Legislative	84,700	84,700	60,730	23,970
General Government				
Township Supervisor				
Salary	13,000	13,000	13,048	(48)
Telephone	1,000	1,000	694	306
Office Supplies	400	400	493	(93)
Travel	600	600	402	198
Education and Training	1,000	1,000	585	415
Total Supervisor	16,000	16,000	15,222	778
Elections				
Salary	1,600	1,600	1,656	(56)
Postage	300	300	215	85
Travel	800	800	704	96
Printing	1,300	1,300	299	1,001
Education and Training	600	600	280	320
Total Elections	4,600	4,600	3,154	1,446

Eveline Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Township Assessor				
Salary	23,000	23,000	23,000	-
Postage	1,000	1,000	727	273
Telephone	800	800	600	200
Office Supplies	700	700	2,133	(1,433)
Professional Services	2,000	2,000	3,195	(1,195)
Travel	1,100	1,100	1,085	15
Printing	1,500	1,500	460	1,040
Repairs and Maintenance	300	300	75	225
Education and Training	1,000	1,000	630	370
Total Assessor	31,400	31,400	31,905	(505)
Township Clerk				
Salary	15,500	15,500	15,500	-
Postage	500	500	156	344
Telephone	700	700	685	15
Office Supplies	500	500	1,145	(645)
Travel	200	200	203	(3)
Education and Training	800	800	840	(40)
Other Expenses	1,600	1,600	27	1,573
Total Clerk	19,800	19,800	18,556	1,244
Township Board of Review				
Wages & Fees	1,500	1,500	1,150	350
Printing and Supplies	550	550	314	236
Education and Training	600	600	210	390
Total Board of Review	2,650	2,650	1,674	976
Township Treasurer				
Salary, Treasurer	13,000	13,000	13,000	-
Clerical	800	800	624	176
Summer Tax Collection	5,000	5,000	5,000	-
Postage	3,500	3,500	1,850	1,650
Telephone	1,500	1,500	776	724
Office Supplies	1,200	1,200	2,264	(1,064)
Printing	2,000	2,000	2,001	(1)
Other Expenses	550	550	616	(66)
Total Treasurer	27,550	27,550	26,131	1,419

Eveline Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Building and Grounds				
Telephone	300	300	308	(8)
Office Supplies	100	100	35	65
Utilities	1,000	1,000	630	370
Repairs & Maintenance	2,000	2,000	548	1,452
Total Building & Grounds	3,400	3,400	1,521	1,879
Cemetery				
Professional Services	1,000	1,000	1,200	(200)
Other Expenses	1,200	1,200	191	1,009
Total Cemetery	2,200	2,200	1,391	809
Total General Government	107,600	107,600	99,554	8,046
Community & Economic Development				
Planning & Zoning				
Salary & Wages	26,600	26,600	24,031	2,569
Professional Services	20,100	20,100	25,462	(5,362)
Travel	1,100	1,100	573	527
Printing	3,100	3,100	625	2,475
Education and Training	1,500	1,500	1,555	(55)
Other Expenses	1,300	1,300	478	822
Total Community & Economic Development	53,700	53,700	52,724	976
Public Works				
Road Improvements	220,000	220,000	136,394	83,606
Street Lighting	1,900	1,900	1,377	523
Total Public Works	221,900	221,900	137,771	84,129
Public Safety				
Fire	56,000	56,000	85,954	(29,954)
Health & Welfare				
Ambulance	13,000	13,000	17,000	(4,000)
Capital Outlay	8,800	8,800	1,530	7,270
Total Expenditures	545,700	545,700	455,263	90,437
Net Change in Fund Balance	(119,610)	(119,610)	(64,356)	55,254
Fund Balance - July 1, 2004	447,311	447,311	447,311	-
Fund Balance - June 30, 2005	\$ 327,701	\$ 327,701	\$ 382,955	\$ 55,254

Eveline Township

Statement of Revenues, Expenditures and Changes in Fund Balances Road Fund Budgetary Comparison For Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property Taxes	\$ 189,052	\$ 189,052	\$ 179,155	\$ (9,897)
Interest	2,000	2,000	3,151	1,151
Total Revenues	191,052	191,052	182,306	(8,746)
Expenditures:				
Road Improvements	189,052	189,052	150,000	39,052
Other Expenses	-	-	8	(8)
Total Expenditures	189,052	189,052	150,008	39,044
Excess Revenues (Expenditures)	2,000	2,000	32,298	30,298
Fund Balance - July 1, 2004	176,627	176,627	176,627	-
Fund Balance - June 30, 2005	<u>\$ 178,627</u>	<u>\$ 178,627</u>	<u>\$ 208,925</u>	<u>\$ 30,298</u>

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

110 Park Avenue
Charlevoix, Michigan 49720
Telephone (231) 547-4911
Facsimile (231) 547-5911

March 4, 2006

To the Board of Trustees
Eveline Township

We have audited the financial statements of Eveline Township for the year ended June 30, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Eveline Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Eveline Township are described in Note 1 to the financial statements. The Governmental Accounting Standards Board issued a new reporting model for governmental units, which was implemented for the fiscal year ended June 30, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year-end adjustments to the final presentation format. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Difficulties Encountered in Performing the Audit

The financial audit is due to the state within six months after year end. All financial records were not available by that date and the financial statements could not be completed on time.

The supporting invoices could not be located for all months that bills were paid. We recommend all supporting documents be provided for review at the time of approval and payment. These files should be maintained at the Township Hall in case the invoices need to be reviewed again at a later date.

Overpayments to taxpayers for property taxes have not been refunded in a timely manner. We recommend refunds be prepared within 30 days of collection.

While tax collections were remitted to other governmental units in a more timely manner. These collections were remitted in error to the wrong governmental unit. Taxes are to be reconciled with County records in March and should allow for such corrections to be made in a more timely manner.

This information is intended solely for the use of the Board of Trustees and management of Eveline Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mason & Kammermann, P.C.

Mason & Kammermann, P.C.
Certified Public Accountants